

FINANCE

Tropical Forests

**Agreement Between the
UNITED STATES OF AMERICA
and BRAZIL**

Signed at Brasilia August 12, 2010

with

Attachments



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

BRAZIL

Finance: Tropical Forests

*Agreement signed at Brasilia August 12, 2010;
Entered into force September 27, 2010.
With attachments.*

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL
REGARDING
THE REDUCTION OF DEBT
IN SUPPORT OF CONSERVATION AND SUSTAINABLE MANAGEMENT OF
TROPICAL FORESTS

The Government of the United States of America and the Government of the Federative Republic of Brazil, hereinafter known as the Parties,

Seeking to facilitate the conservation, protection, restoration, sustainable management, and monitoring of tropical forests in Brazil, which provide a wide range of economic, social, and environmental benefits to people;

Recognizing that the social and economic benefits to local communities of sustainable management of tropical forests are critical to the protection and sustainable management of tropical forests;

Noting that tropical deforestation and forest degradation continue to present serious challenges in many regions of the world;

Wishing to ensure that resources freed from debt are targeted to the conservation and sustainable management of tropical forests;

Desiring to enhance the friendship and spirit of cooperation between the Parties;
and

In furtherance of the goals of the U.S. Tropical Forest Conservation Act ("TFCA") of 1998, as amended, and the U.S. foreign operations appropriations act for U.S. fiscal year 2008;

Have agreed as follows:

ARTICLE I
PURPOSE

The purpose of this Agreement is to provide for the reduction of certain debts owed to the U.S. Government and its agencies in order to support conservation and sustainable management of tropical forests in Brazil and to provide for the establishment of a Tropical Forest Conservation Fund Account and administering Board for such conservation and sustainable management.

ARTICLE II
DEFINITIONS

1. "GOB" means the Government of the Federative Republic of Brazil, acting through the Ministry of Finance, except as otherwise provided in this Agreement.
2. "USG" means the Government of the United States of America, acting primarily through the U.S. Department of State for Articles VII and VIII of this Agreement, and primarily through the U.S. Department of the Treasury for Articles III, IV, V, and XIII of this Agreement.
3. "Agreement" means this agreement, as it may be amended from time to time pursuant to Article XV of this Agreement.
4. "Business Day" means, with respect to Article II, paragraph 7, Article III, paragraph 3, and Articles IV, VII, and XI of this Agreement, any day on which the Central Bank of Brazil is open for business, or with respect to Article III, paragraph 2, and Articles XIII and XIV of this Agreement, any day on which both the Central Bank of Brazil and the Federal Reserve Bank of New York are open for business.
5. "Closing" and "Closing Date" have the meanings set forth in Article III of this Agreement.
6. "Escrow Account" or "U.S. Treasury Escrow Account" means an account established by the USG into which the GOB shall make the Payments under the New TFCA Obligations under the circumstances described in Article IV and Article XIII, paragraph 4(C), of this Agreement.
7. "Exchange Rate" means the daily reference exchange rate bid for Local Currency expressed in U.S. Dollars as released by the Central Bank of Brazil (Closing PTAX) two Business Days before the date of Payment of the New TFCA Obligations.
8. "Fund Administrator" has the meaning set forth in Article VI of this Agreement.
9. "Local Currency" means the lawful currency of the GOB.
10. "New TFCA Obligations" means the GOB's new financial obligations undertaken pursuant to this Agreement which shall replace the Old Obligations and obligate the GOB to make payments to the Tropical Forest Conservation Fund Account in accordance with the terms and conditions set forth herein.
11. "Old Obligations" means Loans 512 L076, 512 L077, 512 L084, 512 L089, 512 L090, 512 L153C, and 512 L081, under the agreements entitled "Loan and Grant Agreement between the Government of Brazil and the Government of the United States of America Acting through the United States Agency for International Development," dated August 13, 1969, March 9, 1971, November 8, 1971, August 20, 1973, January 30,

1974, January 1, 2000 (the rescheduling date for Loan 512 L153C, which consolidated various loans, all contracted before January 1, 1998), and June 17, 1971, respectively, that obligate the GOB to repay principal and interest on debt whose outstanding principal sums at September 1, 2010, amount to U.S.\$ 19,742,363.07, and whose outstanding scheduled interest sums at September 1, 2010, amount to U.S.\$ 1,099,281.23.

12. "Overdue Interest" means the interest that shall accrue on each of the New TFCA Obligations at the per annum interest rate stipulated in the relevant Old Obligation on any overdue and unpaid Payment for the period from and including the applicable Payment Due Date to, but excluding, the date on which the overdue amount is paid in full. Overdue Interest on the New TFCA Obligations shall be paid in Local Currency, unless Article XIII, paragraph 4(C), of this Agreement applies.

13. "Payment Due Date" has the meaning set forth in Article III of this Agreement.

14. "Payment(s)" means the payment(s) to be made by the GOB under the New TFCA Obligations as shown in Schedule A. The payment shall be made in Local Currency calculated by the GOB using the Exchange Rate unless Article IV or Article XIII, paragraph (4)(C), of this Agreement applies.

15. "Schedule A" means the attached repayment schedule for the New TFCA Obligations. Schedule A lists the dates and amounts due for Payments under the New TFCA Obligations. Payments under the New TFCA Obligations are listed on Schedule A as U.S. Dollar Payments, but, as provided in this Agreement, are to be paid in Local Currency using the Exchange Rate unless Article IV of this Agreement applies.

16. "Tropical Forest Conservation Board" or "Board" has the meaning set forth in Article VII of this Agreement.

17. "Tropical Forest Conservation Fund Account" or "Account" has the meaning set forth in Article VI of this Agreement.

ARTICLE III CLOSING AND REDUCTION OF OUTSTANDING DEBT

1. Pursuant to the terms and subject to the conditions hereof, at the Closing, the USG and GOB shall cancel the Old Obligations, and in their place substitute the New TFCA Obligations.

2. After the conditions set forth in Article V of this Agreement have been met, the consummation of the transactions set forth in paragraph 1 of this Article (the "Closing") shall occur on the Business Day (the "Closing Date") on or before October 11, 2010, as agreed by the Parties in writing.

3. The GOB agrees to make, after Closing, Payments on the New TFCA Obligations, including any Overdue Interest if applicable, to the Tropical Forest

Conservation Fund Account in Local Currency as calculated by the GOB using the Exchange Rate in accordance with the payment schedule in Schedule A (each date on Schedule A being a "Payment Due Date") and in accordance with the terms and conditions set forth herein. If the respective Payment Due Date for the payment to the Tropical Forest Conservation Fund Account is not a Business Day, then the Payment Due Date for that payment shall be the next succeeding day that is a Business Day.

4. The GOB agrees not to assign the New TFCA Obligations to any third party.

ARTICLE IV
PAYMENTS ON THE NEW TFCA OBLIGATIONS TO THE U.S. TREASURY
ESCROW ACCOUNT AND
OTHER PAYMENT ADJUSTMENTS

In the event that this Agreement has entered into force and the Closing has occurred, but the Tropical Forest Conservation Fund Account, the Tropical Forest Conservation Board, and the Fund Administrator provided for under Articles VI and VII of this Agreement are not fully established and operational under Brazilian law, the GOB shall make any Payment in U.S. dollars, when due under Schedule A, and in the amount set forth in Schedule A, into the U.S. Treasury Escrow Account as identified to the GOB by the U.S. Department of the Treasury before the Closing Date. Once the USG and GOB have agreed in writing through an exchange of letters that the Tropical Forest Conservation Board is fully constituted, the Fund Administrator has been selected and has opened the Tropical Forest Conservation Fund Account, and the USG has received adequate details allowing for transfer to the Tropical Forest Conservation Fund Account, the USG shall transfer all U.S. dollar funds in the U.S. Treasury Escrow Account to the Tropical Forest Conservation Fund Account within fourteen (14) Business Days of such agreement, calculated by counting from, but not including, the date of signature of the later of such letters.

ARTICLE V
CONDITIONS TO CLOSING

The obligation of the USG hereunder to cancel the Old Obligations and substitute the New TFCA Obligations shall be subject to the fulfillment of each of the following conditions performed to the satisfaction of the USG, or waived by the USG in writing, on or prior to the Closing Date:

- A. The GOB shall have paid in full to USAID any amounts due under the Old Obligations up to, but not including, the Closing Date.
- B. The Agreement shall have entered into force.
- C. The USG shall have received from the GOB such further documents, opinions, and certificates that the USG shall reasonably request.

D. Adequate arrangements shall have been established for the Tropical Forest Conservation Board and administration of the Tropical Forest Conservation Fund Account, including any technical cooperation agreement with the Fund Administrator.

ARTICLE VI TROPICAL FOREST CONSERVATION FUND ACCOUNT

1. Within eight months of the signing of this Agreement, a Tropical Forest Conservation Fund Account (also known as "the Account") shall be established in accordance with the domestic laws of Brazil. The USG shall provide information to the GOB, in the form set forth in Schedule B, to allow for transfer of Payments and any amounts in the U.S. Treasury Escrow Account into the Account. This information shall be based on information the USG received from the Fund Administrator. The Board established pursuant to Article VII of this Agreement shall have oversight for the administration and management of the Account. Any monies deposited in the Account, or grants made from the Account, will be free from any taxation, levies, fees, or other charges imposed by the Parties to the extent permissible by the laws of the Parties.
2. Monies, in the form of local currencies or other currencies, from other sources, including but not limited to public and private creditors of the GOB and voluntary contributions from the GOB, other governments, and nongovernmental entities, may also be deposited into the Account.
3. The amounts deposited in the Account shall be subject exclusively to the provisions of this Agreement.
4. The Fund Administrator shall be a nongovernmental entity that shall be responsible for, *inter alia*, disbursement of financial resources from the Account solely at the direction of the Board pursuant to Article VIII of this Agreement; the investment of the funds in the Account in accordance with paragraph 6 of this Article; and prompt written notification to the Board when the GOB makes a Payment into the Account.
5. After payment to the Account, the GOB is exempted from any liability regarding the use and misuse of funds.
6. The Board shall ensure that monies in the Account shall be invested until disbursed, with every effort made to ensure that such investments yield a positive rate of return within acceptable limits of risk in accordance with sound investment practices. To accomplish this goal, the Board shall develop a written investment policy and shall provide for its implementation. In addition, the Parties may jointly request the conversion of all or part of the monies in the Account into U.S. dollars or other hard currencies for investment purposes. Returns on investment shall be deposited by the Fund Administrator in the Account until disbursed, pursuant to the procedures set forth in Articles VIII through X of this Agreement.

ARTICLE VII
ESTABLISHMENT AND COMPOSITION OF THE TROPICAL FOREST
CONSERVATION BOARD

1. Within eight (8) months of the signing of this Agreement, the GOB, through the Ministry of Environment, shall establish, in accordance with its domestic laws and with the concurrence of the USG, a Tropical Forest Conservation Board (hereinafter known as "the Board") to oversee administration and management of the Account. The Board shall be discrete and separate from any existing board or other entity in Brazil.

2. The Board shall consist of nine (9) members. It shall be composed of:
 - A One representative appointed by the USG;

 - B Three (3) representatives appointed by the GOB, to include representatives of the Ministry of Finance, the Ministry of External Relations, and the Ministry of Environment; and

 - C. Five (5) representatives of a broad range of Brazilian forest-related organizations and institutions, appointed in accordance with paragraph 4 of this Article, specifically:
 - (i) Environmental nongovernmental organizations;
 - (ii) Local community development nongovernmental organizations; and
 - (iii) Scientific, academic and/or forestry organizations.

 - D. The five (5) representatives under paragraph 2(C) of this Article shall include:
 - (i) Two (2) nongovernmental representatives from the National Biodiversity Council (CONABIO), one of which is from a Brazilian scientific or academic organization, and one of which is from a Brazilian nongovernmental environmental organization;
 - (ii) Two (2) nongovernmental representatives from the National Forests Council (CONAFLO), one of which is from a Brazilian local community development nongovernmental organization, and one of which is from a Brazilian nongovernmental environmental, scientific, academic, or forestry organization; and
 - (iii) One representative from a nongovernmental environmental, scientific, academic, local community development, or forestry organization from the National Council for the Atlantic Rainforest Biosphere Reserve.

3. Upon appointing a Board member to represent it under paragraphs 2(A) and (B) of this Article, each Party may also appoint a respective alternate member. Upon nominating a Board member for appointment to the Board in accordance with paragraph

2(C) of this Article, each organization shall also nominate a respective alternate member. The selection and service of each alternate member shall be subject to the same requirements and conditions as provided in this Agreement with respect to the Board member for whom he or she would serve as an alternate. In the absence or incapacity of a Board member, the respective alternate may act at a meeting of the Board in place of the appointed member and may exercise the power and authority exercisable by such appointed member, including the right to vote.

4. The representatives under paragraph 2(C) of this Article, who constitute a majority of the members of the Board, and their alternates shall be named to the Board by the GOB with the concurrence of the USG.

5. Board members named pursuant to paragraphs 2(A) and (B) of this Article and their respective alternates shall serve *ad honorem* and at the discretion of the naming Party. Board members described in paragraph 2(C) of this Article and their respective alternates shall serve *ad honorem*, except that the administrative expenses of such Board members may be paid as provided in Article VIII, paragraph 9, of this Agreement. Board members described in paragraph 2(C) and their respective alternates shall serve in their expert capacity for a two- or three-year term, as agreed by the Parties, and may be removed prior to the end of their term only for malfeasance. Any such member of the Board and respective alternates may serve consecutive terms if both Parties agree. The length of service of Board members named pursuant to paragraphs 2(A) and (B) shall be at the discretion of the naming Party.

6. Board members and respective alternates shall not participate in the approval of any proposed grant which, if approved, would result in a financial benefit for the member or any person in his or her family, or for an organization with which the member or any person in his or her family has an affiliation or in which he or she has a direct financial interest.

7. Any designation of an alternate or alternates to a Board member appointed under paragraphs 2(A) or 2(B) of this Article should be communicated in writing to all other Board members.

ARTICLE VIII FUNCTIONS OF THE BOARD

1. The GOB, within its competence and with the concurrence of the USG, shall take the necessary measures to enable the Board to carry out the functions assigned to it under this Agreement.

2. The Board shall be responsible for oversight of, *inter alia*, the following activities:

A. Issuance and wide dissemination of any public announcement of the call for grant applications, which announcement shall state the purpose of the

Account, eligible activities and eligible entities in accordance with Article IX of this Agreement, the criteria for the selection of grant recipients, the schedule of the grants process, and any other requirements established by the Board for the award of grants from the Account;

- B. Receipt of applications for grants from entities described in Article IX, paragraph 4, of this Agreement, and the award of grants consistent with Article IX of this Agreement;
- C. Public announcement of grants awarded by the Board;
- D. The development of a standard Grant Agreement to be used with each grant recipient, which standard Grant Agreement shall include provisions on, *inter alia*, receipt and use of funds; monitoring, evaluation, and reporting requirements; improper use of funds and subsequent remedies; representations and warranties; intellectual property; and recovery of funds misspent or misused by, and the return of any unused grant funds held by, a grantee;
- E. The monitoring and evaluation of activities financed through Grant Agreements;
- F. Within six (6) months of the Board's establishment, the development and submission to the Parties for their approval of a long-term strategic plan for the operation of the Account, including an annual budget showing prospective activities and expected administrative and program costs;
- G. The taking of steps to meet the relevant performance criteria set forth in the TFCA Evaluation Sheet, the current form of which is contained in the Annex to this Agreement, recognizing the document may be amended by the USG in its sole discretion from time to time, provided that no such modification by the USG shall unreasonably increase the obligations or duties of the Fund Administrator or the Board;
- H. Within twelve (12) months after the signing of this Agreement, and on an annual basis thereafter, submission to the Parties of a completed TFCA Evaluation Sheet, which shall include as annexes:
 - (i) A report on grant activities for the previous year, including multi-year activities, funded by the Board, which shall include information regarding grants awarded, grant recipients, grant amounts, activities funded, and the status of grant implementation and audits of grants; and
 - (ii) A financial audit of the TFCA Account conducted in accordance with generally accepted international accounting standards by an independent auditor, covering the previous program year; and

- I. Appointment of an Executive Manager to coordinate and implement, with the guidance of the Board, all necessary actions required for the adequate functioning of the Board.
3. The Board shall direct the Fund Administrator to disburse monies from the Account to grant recipients pursuant to Article X of this Agreement.
4. A proposed grant that would over the project life require in excess of the equivalent of one hundred thousand U.S. dollars (U.S.\$ 100,000) to be disbursed from the Account and that is endorsed by the Board shall be subject to the approval of both Parties. If either Party disapproves such a grant, that Party must notify the Board of its disapproval in writing, in which case the Board shall not award the proposed grant. Proposed grants not disapproved by a Party within thirty (30) calendar days of presentation to the Party's representative on the Board shall no longer be subject to disapproval by that Party.
5. The Board shall adopt rules of procedure for its operation, subject to the approval of the Parties. No disbursements pursuant to Article X of this Agreement shall be made prior to the adoption of these procedures.
6. The Board shall establish procedures and schedules for the grant-making process, including those relating to public announcements, grant applications, grant selection, and monitoring and evaluation. The Board shall establish and make public its selection criteria for awarding grants.
7. The Board shall monitor performance under Grant Agreements, which shall require periodic progress reports on grant activities from the grantee to the Board.
8. The Board shall meet at least once every six (6) months.
9. The Board may authorize the drawing of sums from the Account necessary to pay for reasonable administrative expenses of the Board, including the audit required pursuant to paragraph (2)(H)(ii) of this Article. Board members appointed under Article VII, paragraph 2(C), of this Agreement may be compensated from the Account only for travel expenses and reasonable per diem in connection with Board meetings. Such expenses incurred by Board members appointed under Article VII, paragraphs 2(A) and (B), of this Agreement shall be borne by the Party that the member represents. Administrative expenses shall not exceed a ceiling to be established by the Parties' representatives on the Board, taking into account anticipated administrative expenses and funds available in the Account. The Parties' representatives shall review and adjust, as appropriate, the ceiling for administrative expenses on an annual basis.
10. The Board shall award grants only within the financial capacity of the Account and strictly on the merits of proposals presented to the Board.

11. The Board shall retain files of its written documents, including procedures, minutes of meetings, financial records, records related to grant award decisions, and progress and final reports required under Grant Agreements. The Board shall make available, for easy public inspection, such written documents as are not privileged. Upon request, authorities of either Party shall be granted access to all Board documents.

12. All Board members named pursuant to Article VII, paragraphs 2(A) and (B), of this Agreement, shall approve any proposed modification to any arrangement for the administration of the Account, including any technical cooperation agreement referenced in Article V, paragraph (D), of this Agreement.

ARTICLE IX ELIGIBLE ACTIVITIES AND GRANT RECIPIENTS

1. Amounts deposited in the Account shall be used to provide grants only to conserve, maintain, or restore tropical forests specified in paragraph 3 of this Article through one or more of the following eligible types of activities:

- A. Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves;
- B. Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices;
- C. Training programs to increase the scientific, technical, and managerial capacities of individuals and organizations involved in forest conservation efforts;
- D. Restoration, protection, or sustainable use of diverse animal and plant species; and
- E. Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting such tropical forest.

2. In providing grants, priority shall be given to activities directed at conserving, maintaining, and restoring vulnerable and threatened tropical forests of Brazil, with particular emphasis on the following activities:

- A. Establishment, implementation, restoration, protection, monitoring, and maintenance of protected areas and other natural forests;
- B. Promotion of sustainable use and management of protected areas and their surrounding areas, including tropical forests affected by desertification;
- C. Development and implementation of natural resource management systems, including tropical forest land and forest ecosystem management practices;

- D. Training programs to increase scientific, technical, and managerial capacities of individuals and organizations involved in forest conservation and sustainable forest management efforts;
 - E. Promotion of sustainable forest resource-based development of local and traditional communities;
 - F. Environmental forest monitoring and capacity-building activities for compliance with Brazilian environmental legislation; and
 - G. Ecological and economic zoning, planning, and land use regulation.
3. Activities shall be undertaken in one or more of the following Brazilian biomes:
- A. Atlantic Rainforest (Mata Atlantica);
 - B. Tropical forest and buffer areas of the Caatinga Biome; and
 - C. Tropical forest and buffer areas of the Cerrado Biome.
4. Entities in Brazil which shall be eligible to receive grants from the Account are:
- A. Brazilian nongovernmental environmental, forestry, and indigenous people organizations, in particular those organizations involved in development, education, science research, or forest management;
 - B. Other appropriate local or regional entities; and
 - C. In exceptional circumstances, the Government of Brazil.
5. In providing grants, priority shall be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.
6. No grants shall be provided to any entity listed by the GOB, the USG (Office of Foreign Assets Control), or the United Nations as a terrorist, narcotics trafficker, or other specially designated national. Further, no grants shall be provided to those associated with such entities, as determined by the Parties' representatives on the Board.

ARTICLE X DISBURSEMENT OF FUNDS

1. The Board shall instruct the Fund Administrator appointed pursuant to Article VI, paragraph 4, of this Agreement to disburse grant monies from the Account to entities awarded grants pursuant to Article IX of this Agreement. All disbursements shall be

made pursuant to a Grant Agreement, as specified in Article VIII, paragraph 2(D), of this Agreement.

2. The Fund Administrator shall make disbursements promptly to designated recipients in accordance with directions received from the Board. In no case shall more than fourteen (14) calendar days elapse between the Fund Administrator's receipt of a direction for disbursement from the Board and actual disbursement of funds to a grant recipient.

ARTICLE XI RESOLUTION AND REVIEW OF DISPUTES

1. Upon the written request of either Party, the Parties shall consult with each other concerning the implementation or interpretation of this Agreement. With the exception of a failure by the GOB to make a payment of principal or interest on the New TFCA Obligations when due, which shall be resolved under the procedures set forth in Article XIII of this Agreement, consultations shall commence within seven (7) Business Days of notification by either Party to the other of the need to consult. The Parties agree to use their best efforts to find a mutually agreed solution. The GOB shall continue to make any Payment when due to the Tropical Forest Conservation Fund Account during this consultation period, unless otherwise instructed. These consultations shall be completed within sixty (60) calendar days after a request for consultations is received from the other Party.

2. Consultations between the Parties concerning the interpretation or implementation of this Agreement may be conducted through written submissions between the U.S. Departments of State or the Treasury and the Brazilian Ministry of Finance.

3. Either Party may request consultations with the Board and the other Party after reviewing the Board's reports and audits presented pursuant to Article VIII of this Agreement. Such request shall be made in writing. These consultations shall be completed within sixty (60) calendar days after a request for consultations is received from the other Party, unless the period of consultation is extended by mutual agreement of the Parties.

4. The Parties shall meet to review the operation of this Agreement one year from the date of its entry into force, and periodically thereafter as the Parties agree.

5. Nothing in this Agreement constitutes consent by the GOB to the jurisdiction of any court of law outside Brazil.

ARTICLE XII
SUSPENSION OF DISBURSEMENTS

1. Notwithstanding any other provisions of this Agreement, upon receipt of written notification from the USG, the GOB shall require that the Fund Administrator immediately suspend disbursements to be made under Article X of this Agreement.
2. Notwithstanding any other provisions of this Agreement, upon providing written notification to the USG, the GOB may require that the Fund Administrator immediately suspend disbursements to be made under Article X of this Agreement, without prejudice to any ongoing projects that are being conducted in accordance with the rules and principles set out in this Agreement.
3. Suspension of disbursements pursuant to paragraphs 1 or 2 of this Article shall mean that no further approval of grants shall be undertaken until the Parties have agreed to resume such activity, without prejudice to any ongoing projects that are being conducted in accordance with the rules and principles set out in this Agreement.
4. Should the Parties jointly certify in writing to the Board that the manner in which a Grant Agreement was awarded was inconsistent with this Agreement or the procedures of the Board, the Parties may require the Board to suspend disbursements under that Grant Agreement. Should disbursements be so suspended, no further approval of any grants shall be undertaken until both Parties agree to resume the receipt and review of applications and the awarding of grants.
5. Within ten (10) Business Days of receiving written notification from the USG referred to in paragraph 1 above, the GOB shall instruct the Fund Administrator to suspend disbursements. If the Fund Administrator does not comply with this instruction, the GOB shall take any and all actions necessary to freeze the Account, including the substitution of the Fund Administrator, until both Parties confirm in writing that the issues that led to freezing of those amounts have been resolved.

ARTICLE XIII
FAILURE TO MAKE PAYMENT OF PRINCIPAL OR INTEREST
ON THE NEW TFCA OBLIGATION

1. In the event the GOB does not make full payment of any installment under the New TFCA Obligations on the respective Payment Due Date, the GOB shall within seven (7) Business Days commence discussions with the USG to resolve such payment default. The GOB and the USG agree to use their best efforts to find a mutually acceptable solution.
2. Overdue Interest shall accrue on any overdue or unpaid installment of the New TFCA Obligation. The GOB shall make an Overdue Interest payment as soon as

possible, without waiting for the due date of the next scheduled payment under the New TFCA Obligation.

3. Except as otherwise provided below, the GOB shall pay any Overdue Interest accruing on a due and unpaid Payment directly to the Tropical Forest Conservation Fund Account.

4. If the GOB and the USG are unable to find a mutually acceptable solution within sixty (60) Business Days following the GOB's failure to make a full Payment under Articles III or IV of this Agreement on the Payment Due Date, including any accrued Overdue Interest, if applicable, the following procedures shall apply:

A. The USG may require the GOB to pay immediately in Local Currency any unpaid Payment under the New TFCA Obligations, including any accrued Overdue Interest, to the Tropical Forest Conservation Fund Account;

B. The USG may, in its sole discretion, declare all, or any part of, future Payments under the New TFCA Obligations due and payable immediately in Local Currency ("Accelerated Payments"), in which case such amounts shall be paid to the Tropical Forest Conservation Fund Account for distribution in accordance with this Agreement unless subparagraph (C) below applies; and

C. The USG may, in its sole discretion, require that the GOB make unpaid and future Payments, including any accrued Overdue Interest, or Accelerated Payments, in U.S. dollars to the U.S. Treasury Escrow Account until the USG, in its sole discretion, is satisfied that the conditions under this Agreement are being fulfilled. If satisfied, the USG shall transfer funds in the U.S. Treasury Escrow Account to the Tropical Forest Conservation Fund Account within fourteen (14) Business Days of such determination.

ARTICLE XIV TERMINATION

1. This Agreement shall automatically terminate in the event that the Closing has not taken place on or before: (i) October 11, 2010; or (ii) such later Business Day as may be agreed by the Parties in writing.

2. If the Closing has occurred, this Agreement shall terminate three (3) months after the date of the final payment of all amounts owed and unpaid under the New TFCA Obligations, provided that the Parties have agreed on the use and management of any remaining funds in the Account.

3. In any case, all payment obligations of the GOB under this Agreement shall terminate upon its final payment of all amounts owed and unpaid under the New TFCA Obligations.

ARTICLE XV
ENTRY INTO FORCE, AMENDMENT, AND OTHER ARRANGEMENTS

1. This Agreement shall enter into force on a date that is to be jointly decided in advance by the Parties in writing, provided that such date shall fall (a) at least forty-five (45) days after signature; and (b) after August 31, 2010; and (c) on or before September 30, 2010. If this Agreement shall not have been brought into force on or before September 30, 2010, entry into force shall be precluded. Once in force, this Agreement shall remain in force unless terminated in accordance with Article XIV of this Agreement.
2. This Agreement may be amended by written agreement of the Parties.
3. All notices, consents, requests, instructions, approvals, and other communications provided for under this Agreement shall be in writing and shall be deemed validly given (a) on the date of delivery when delivered by hand, (b) on the date of transmission when sent by facsimile transmission during normal business hours with telephone confirmation of receipt, or (c) on the date of receipt in accordance with the records of receipt by a reputable overnight courier that maintains records of receipt, all addressed as designated by each Party at the time of signing this Agreement (or such other addresses as any Party shall have designated by notice in accordance with this paragraph to the other Party).
4. Nothing in this Agreement shall prejudice other agreements between the Parties concerning debt reduction or cooperation and assistance for tropical forest conservation purposes.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

Done at Brasilia, this 12th day of August, 2010, in duplicate, in the English language.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

Lisa Kubushe

FOR THE GOVERNMENT OF
THE FEDERATIVE REPUBLIC
OF BRAZIL:

[Signature]

[Signature]

Schedule A: Schedule of Payments under New TFCA Obligations

Obligation 1		
	Scheduled Principal	Scheduled Interest
11/15/2010	\$ 60,954.52	\$ 761.93
Total	\$ 60,954.52	\$ 761.93

Obligation 2		
	Scheduled Principal	Scheduled Interest
1/14/2011	\$ 229,364.84	\$ 11,650.04
7/14/2011	\$ 232,231.90	\$ 8,782.98
1/14/2012	\$ 235,134.80	\$ 5,880.08
7/14/2012	\$ 235,271.57	\$ 2,940.89
Total	\$ 932,003.11	\$ 29,253.99

Obligation 3		
	Scheduled Principal	Scheduled Interest
10/18/2010	\$ 21,192.02	\$ 1,637.81
4/18/2011	\$ 21,509.90	\$ 1,319.93
10/18/2011	\$ 21,832.55	\$ 997.28
4/18/2012	\$ 22,160.04	\$ 669.79
10/18/2012	\$ 22,492.66	\$ 337.39
Total	\$ 109,187.17	\$ 4,962.20

Obligation 4		
	Scheduled Principal	Scheduled Interest
2/20/2011	\$ 75,037.75	\$ 12,046.63
8/20/2011	\$ 76,163.32	\$ 10,921.06
2/20/2012	\$ 77,305.77	\$ 9,778.61
8/20/2012	\$ 78,465.36	\$ 8,619.02
2/20/2013	\$ 79,642.34	\$ 7,442.04
8/20/2013	\$ 80,836.97	\$ 6,247.41
2/20/2014	\$ 82,049.53	\$ 5,034.85
8/20/2014	\$ 83,280.27	\$ 3,804.11
2/20/2015	\$ 84,529.47	\$ 2,554.91
8/20/2015	\$ 85,797.64	\$ 1,286.96
Total	\$ 803,108.42	\$ 67,735.60

Obligation 5		
	Scheduled Principal	Scheduled Interest
2/20/2011	\$ 152,709.07	\$ 19,316.53
8/20/2011	\$ 154,999.71	\$ 17,025.89
2/20/2012	\$ 157,324.70	\$ 14,700.90
8/20/2012	\$ 159,684.57	\$ 12,341.03
2/20/2013	\$ 162,079.84	\$ 9,945.76
8/20/2013	\$ 164,511.04	\$ 7,514.56
2/20/2014	\$ 166,978.70	\$ 5,046.89
8/20/2014	\$ 169,480.87	\$ 2,542.21
Total	\$ 1,287,768.50	\$ 88,433.77

Obligation 6		
	Scheduled Principal	Scheduled Interest
10/12/2010	\$ 1,149,398.39	\$ 107,403.54
4/12/2011	\$ 1,166,639.36	\$ 90,162.57
10/12/2011	\$ 1,184,138.96	\$ 72,662.97
4/12/2012	\$ 1,201,901.04	\$ 54,900.89
10/12/2012	\$ 1,219,929.56	\$ 36,872.37
4/12/2013	\$ 1,238,228.76	\$ 18,573.43
Total	\$ 7,160,236.07	\$ 380,575.77

Obligation 7 – Part 1		
	Scheduled Principal	Scheduled Interest
10/31/2010	\$ 40,672.38	\$ 2,440.34
11/30/2010	\$ 530,185.41	\$ 45,134.61
12/31/2010	\$ 73,119.94	\$ 9,249.13
2/28/2011	\$ 857,717.78	\$ 83,581.84
4/30/2011	\$ 40,672.38	\$ 1,830.26
5/31/2011	\$ 530,185.46	\$ 37,397.15
6/30/2011	\$ 74,216.74	\$ 8,152.33
8/31/2011	\$ 857,717.78	\$ 70,716.07
10/31/2011	\$ 40,672.38	\$ 1,220.17
11/30/2011	\$ 444,059.33	\$ 29,659.68
12/31/2011	\$ 75,329.99	\$ 7,039.08
2/28/2012	\$ 857,717.78	\$ 57,850.31
4/30/2012	\$ 40,672.47	\$ 610.09
5/31/2012	\$ 444,059.33	\$ 22,998.78
6/30/2012	\$ 76,459.94	\$ 5,909.13
8/31/2012	\$ 857,717.78	\$ 44,984.54

Obligation 7 – Part 2		
	Scheduled Principal	Scheduled Interest
11/30/2012	\$ 444,059.33	\$ 16,337.89
12/31/2012	\$ 77,606.84	\$ 4,762.23
2/28/2013	\$ 857,717.78	\$ 32,118.77
5/31/2013	\$ 444,059.38	\$ 9,677.00
6/30/2013	\$ 78,770.95	\$ 3,598.12
8/31/2013	\$ 857,717.59	\$ 19,253.01
11/30/2013	\$ 201,074.21	\$ 3,016.11
12/31/2013	\$ 79,952.51	\$ 2,416.56
2/28/2014	\$ 425,816.20	\$ 6,387.24
6/30/2014	\$ 81,151.48	\$ 1,217.27
Total (Parts 1 and 2)	\$ 9,389,103.14	\$ 527,557.71

SCHEDULE B

FORM OF LETTER OF INSTRUCTIONS FOR PAYMENTS

Dear Sir, Madam,

We hereby inform the Federative Republic of Brazil, through the Secretariat of the National Treasury – STN of the Ministry of Finance, that we have received from the TFCA Fund Administrator the following information regarding payments into the Tropical Forest Conservation Fund Account (“the Account”), The TFCA Fund Administrator has also informed us that the account has been satisfactorily established under the domestic laws of Brazil.

Consistent with the above information and with Articles IV and VI of the Agreement Between the Government of the United States of America and the Government of the Federative Republic of Brazil Regarding the Reduction of Debt in Support of Conservation and Sustainable Management of Tropical Forests (the “TFCA AGREEMENT”), (i) Treasury will transfer any amounts deposited at the US Treasury Escrow Account to the Account using the information below, and (ii) the Government of Brazil shall make Payments due under the TFCA Agreement into the Account using the information below as from the receipt of this notification. To that regard, please find below the necessary details:

Account Name	
Account Number	
Bank Name	
Bank Address	
Bank Branch Code	
Bank Tel.Number	
Swift Code	
Reference	

Pursuant to Article III, paragraph 3, of the TFCA AGREEMENT, Payments shall be made in Local Currency, calculated using the Exchange Rate as released by the Central Bank of Brazil (Closing Ptax) two business days before the date of each Payment under the New TFCA Obligations, in accordance with the Amortization Schedule, Schedule A of the TFCA AGREEMENT. After each Payment is made to the Account in full, the Federative Republic of Brazil's obligation to make such Payment under the TFCA Agreement, including Schedule A, is extinguished.

Any term that is not defined in this Letter shall have the meaning given to it in the TFCA AGREEMENT.

Cordially;

This document is sent to:

Federative Republic of Brazil:

Ministério da Fazenda
Secretaria do Tesouro Nacional
Coordenação-Geral de Controle da Dívida Pública - CODIV
Esplanada dos Ministérios, Bloco "P", Anexo "A", sala 121.
70048-900 Brasília, D.F.
Brazil
Email: codiv.df.stn@fazenda.gov.br
Tel: +55 61 3412-3518
Facsimile: +55 61 3412-1461

With copies to:

Ministério da Fazenda
Procuradoria-Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
70048-900 Brasília, D.F.
Brazil
Email: apoioconf.df.pgfn@pgfn.gov.br
Tel : + 55 61 3412-2842
Facsimile: +55 61 3412-1740

Ministerio do Meio Ambiente
Esplanada dos Ministerios, Bloco B, 5º andar
70068-900 Brasilia, D.F.
Brazil
Email: asin@mma.gov.br
Tel : + 55 61 2028-1003
Facsimile: +55 61 2028-1983

USG:

William Pizer
Deputy Assistant Secretary (Environment & Energy)
U.S. Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220
United States of America
Facsimile:(202) 622-6728

TFCA Evaluation Sheet

	Category	Function	Criteria	Fund Comments (w/ supporting material citation as appropriate)
			definition: "OC/B and its implementor" = The Oversight Committee/ Board and its Fund Administrator or Office of Executive Director.	
A.	Implementation of Agreements		A.1.1 The OC/B and its implementor become operational within one year from the signing of the agreements.	
			A.1.2 The Fund, or other implementor of the TFCA agreement, is in compliance with all articles of the agreements, including the legal registry of the appropriate implementing bodies.	
			A.1.3 The Fund, or other implementor of the TFCA agreement, completes, and makes accessible, annual audits, plans and reports as may be required in the agreements.	
B.	Governance	Planning	B.1.1 Within one year of January 1, 2005 or within one year of becoming operational, the OC/B has established a written strategic plan that includes (a) specific, key objectives, (b) a list, in order of importance, of conservation and funding priorities in order to meet those objectives, and (c) target dates for completion of objectives.	
			B.1.2 The established goals & objectives complement plans/programs of others (eg. national environmental plans, donors).	
			B.1.3 The OC/B, or its implementors, have established all internal operational policies and procedures in accordance with normal business standards.	
		Implementation	B.2.1 The OC/B meets in accordance with the bilateral agreement with achieves a quorum at these meetings.	(info should include no. of meetings, no. of meetings at which quorum was achieved)
		Monitoring	B.3.1 The OC/B evaluates, on an annual basis, progress toward the key objectives specified in the strategic plan, and implements any changes judged necessary to remedy deficiencies in meeting the key objectives.	
			B.3.2 Within one year of January 1, 2005 or within one year of becoming operational, the OC/B has established and implemented a monitoring and evaluation plan for determining the conservation impact of funded projects. OC/B monitors assessment of impact of projects.	(please provide details of monitoring and evaluation methodology, percentage of projects undergoing M&E; number of visits per project; results of monitoring, administrator/OC/B corrective actions as applicable)
			B.3.3 The OC/B conducts an annual performance review of institutional management (itself, the implementors, and, if applicable, the Trustee or Investment Manager).	
C.	Grant Management	Planning	C.1.1 The percentage of total funds paid into the Foundation or Fund (or other vehicle established to receive payments resulting from the Forest Conservation Agreement) disbursed as grants annually, is at a reasonable level.	
		Implementation	C.2.1 Request for Applications (RFAs), or other grant solicitation mechanisms used, are undertaken on a schedule consistent with an OC/B approved expenditure plan, if applicable, and widely publicized (if	
			C.2.2 Grant processing, including fund disbursement periods, is maintained within reasonable targeted timeframes.	
		Monitoring	C.3.1 Grant agreements require reporting on the conservation impact of project.	
			C.3.2 The OC/B has a policy on the need for, and the frequency of, financial audits of grant recipients.	
			C.3.3 Implementor ensures that all necessary grant recipient financial audits and/or impact reports are submitted as required by agreements.	

TFCA Evaluation Sheet

	Category	Function	Criteria	Fund Comments (w/ supporting material citation as appropriate)
			C.3.4 The OC/B, through its implementors, ensures periodic on-site reviews of grant projects.	(e.g. number of active projects, number of active projects receiving site inspections, and number of site inspections per project).
D.	Financial Management	Planning	D.1.1 The OC/B has established a financial plan (complete with budgets, forecasts of income and expenditures).	
			D.1.2 As appropriate, the OC/B has established a written investment policy (guidance for the implementor or fund manager).	
		Implementation	D.2.1 The administrative costs were kept within the limits established by the bilateral agreement or its amendments during the last fiscal year.	
			D.2.2 The OC/B has established, as appropriate, in-house or outsourced investment monitoring capabilities (separate from the Investment Manager).	
			D.2.3 Assuming account sustainability beyond the life of the TFCA agreement is an objective, the account has diversified its sources of revenue (fund raising).	